

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Washington Analyst: Roger Lackey Bill Number: AB 46

Related Bills: See Legislative History Telephone: 845-3627 Amended Date: 08-20-2001

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Enterprise Zones/Expand From 39 to 42

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

☒ DEPARTMENT POSITION CHANGED TO Pending.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED

☒ December 4, 2000 STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY

This bill would expand the number of enterprise zones (EZs) from 39 to 42.

SUMMARY OF AMENDMENTS

The August 20, 2001, amendments deleted all the prior language of the bill. The amendments added the language discussed in this analysis.

The **Federal/State Law Discussion**, **Legislative History**, and **Other States' Information** in the department's analysis of the bill as introduced December 4, 2000, still applies. This analysis replaces the previous analyses.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative January 1, 2002.

POSITION

Pending.

On May 2, 2001, the Franchise Tax Board voted 2-0 to take a neutral position on this bill, with Annette Porini, on behalf of Member B. Timothy Gage, abstaining. However, the substance of the bill has been amended, as a result, the position has been changed to pending.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Brian Putler

08/24/01

ANALYSIS

THIS BILL

This bill would authorize the Trade and Commerce Agency (TCA) to designate an additional three enterprise zones.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

Revenue losses are projected to be as follows:

Estimated Revenue Impact of AB 46 As Amended August 20, 2001 Taxable Years Assumed After December 31, 2001 (Enactment After June 30, 2002) (In \$ Millions)			
Fiscal Years	2002-03	2003-04	2004-05
Revenue Impact	(Negligible)	(0.5)	(2.5)

(Negligible) means losses less than \$250,000.

Any possible changes in employment, personal income or gross state product that might result from this provision are not taken into account.

Revenue Discussion

Revenue losses under the Personal Income and the Bank and Corporation tax laws would largely depend on the number of businesses that would purchase qualifying property subject to the sales tax, the amount of wages paid to qualifying employees, and the state tax liabilities of employers claiming these tax benefits.

Total revenue losses for the existing 39 designated zones were over \$48 million (average of over \$1 million per zone) for tax year 1998. Because this bill would apply to significantly depressed areas, revenue losses would most likely be below the average in the initial years of zone designation. Allowance was made for new businesses that might start up in future years.

LEGISLATIVE STAFF CONTACT

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